

News story: Protecting the future of peer-to-peer lending

Today the peer-to-peer lending industry was given a boost of confidence as the government began legislating to clarify that no business borrowing through a peer-to-peer platform needs to be regulated as a 'deposit taker' (often referred to as a 'banking licence') unless that is their core business. The legislation will ensure that the industry can continue to thrive and innovate while still benefiting from the UK's high quality regulatory standards.

The draft legislation will provide certainty for UK businesses across a range of sectors including manufacturing, construction, and hospitality who finance their growth with peer-to-peer lending. Without this legislation, peer-to-peer platforms lacked clarity on whether some of their borrowers would require a 'banking licence' to borrow through their platform. This would have dramatically increased costs for platforms and borrowers, and impacted the sustainability of peer-to-peer business models, reducing the finance available to businesses.

Stephen Barclay, the Economic Secretary to the Treasury, said:

Peer-to-peer lending has brought about real benefits, not only for the UK's small and medium sized business community, but our economy at large. This vital clarification will mean that businesses can continue to access the finance they need to grow and expand, helping us to build an economy that is fit for the future.

Peer-to-peer lending is an increasingly important source of funding for UK businesses, especially smaller businesses. In 2016 over £1.2 billion of finance for businesses was facilitated by the peer-to-peer industry, and it provided the equivalent of 15% of all new bank lending to small businesses.